

THE OFFICE OF REGULATORY STAFF
SETTLEMENT TESTIMONY
OF
M. ANTHONY JAMES

August 16, 2006



DOCKET NO. 2006-3-E

Duke Power Company LLC d/b/a
Duke Energy Carolinas, LLC
Annual Review of Base Rates for Fuel Costs

SETTLEMENT TESTIMONY OF**M. ANTHONY JAMES****ON BEHALF OF****THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF****DOCKET NO. 2006-3-E****IN RE: DUKE POWER COMPANY LLC****d/b/a DUKE ENERGY CAROLINAS, LLC****ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS****Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

A. My name is Anthony James. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Specialist in the Electric Department of the Office of Regulatory Staff (“ORS”).

Q. ARE YOU THE SAME ANTHONY JAMES WHO PREFILED DIRECT TESTIMONY IN THIS DOCKET ON AUGUST 10, 2006?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. The purpose of this testimony is to provide a summary of the settlement agreement filed with and offered for consideration of this Commission as full resolution of all issues currently pending in this docket, and as agreed to by all the parties in this proceeding.

Q. MR. JAMES, WOULD YOU PLEASE SUMMARIZE THE SETTLEMENT AGREEMENT REACHED BY ALL PARTIES IN THIS PROCEEDING?

1 **A.** After filing of all direct testimony in this proceeding, ORS, South Carolina
2 Energy Users Committee (“SCEUC”), and Duke Power Company LLC d/b/a Duke
3 Energy Carolinas, LLC (“Duke”) engaged in discussions to determine if a settlement of
4 the issues would be in the best interest of each party. All Parties in this proceeding were
5 represented and an agreement was subsequently reached.

6 ORS analyzed the cumulative over-recovery of fuel costs that Duke had incurred
7 for the period July 2005 through June 2006 totaling \$6,984,672. ORS added the
8 projected under-recovery of (\$6,631,182) for the month of July 2006, the projected
9 under-recovery of (\$5,305,337) for the month of August 2006 and the projected over-
10 recovery of \$29,328 for the month of September 2006, to arrive at a cumulative under-
11 recovery of (\$4,922,519) as of September 2006. Duke’s cumulative over-recovery, per
12 its testimony in this docket, as of June 2006 totals \$6,987,000, and as of September 2006,
13 the cumulative under-recovery totals (\$4,920,000). The difference between Duke’s and
14 ORS’ cumulative over-recovery as of actual June 2006 totals \$2,328 which is due to
15 rounding. The difference between Duke’s and ORS’ cumulative under-recovery, as of
16 September 2006, totals (\$2,519) which is also due to rounding. The Parties agree to
17 stipulate to ORS’ calculations in this matter.

18 The Parties agree that the appropriate fuel factor for Duke to charge for the period
19 beginning with the first billing cycle in October 2006 extending through the last billing
20 cycle of September 2007 is 1.7760 cents per kilowatt-hour. Fuel costs for periods
21 beginning on July 1, 2006, and thereafter shall be open issues for determination by the
22 Commission in future fuel costs proceedings held under the procedure and criteria
23 established in S.C. Code Ann. §58-27-865 (Supp. 2005).

1 The Parties agree that in an effort to keep the Parties and Duke customers
2 informed of the over/under recovery balances related to fuel costs and of Duke's best
3 efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding,
4 Duke will provide to SCEUC, and where applicable, its customers the following
5 information:

6 (a) copies of the monthly fuel recovery reports currently filed with the PSC and
7 ORS; and

8 (b) quarterly forecasts, continuing November 15, 2006, of the expected fuel
9 factor to be set at its next annual fuel proceeding based upon Duke's historical
10 over/under recovery to date and forecast prices for natural gas, coal, oil and other
11 fuel required for generation of electricity. Duke will use its best efforts in making
12 these forecasts. To the extent that the forecast data required hereunder is
13 confidential, any party or customer that wants forecasted fuel data will have to
14 sign a non-disclosure agreement agreeing to protect the data from public
15 disclosure and to only disclose it to employees or agents with a need to know this
16 information.

17 Duke agrees to provide to the Commission and ORS any and all subsequent
18 reports generated by the Nuclear Regulatory Commission ("NRC") or Duke with respect
19 to the unresolved items listed in the June 29, 2006 NRC Inspection Report associated
20 with the May 20, 2006 forced outages experienced by the Catawba Units.

21 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

22 **A.** Yes, it does.